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UNCLAS SECTION 01 OF 02 MUSCAT 000993

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STATE FOR NEA/ARP, EB/CBA, EB/CIP, EB/TRA
COMMERCE FOR ITA (C.OBERG)

E.O. 12958: N/A

TAGS: [ECON](#) [BEXP](#) [FAIR](#) [ECPS](#) [ELTN](#) [MU](#)

SUBJECT: TRANSPORT AND COMMUNICATION MINISTER SETS SIGHTS
ON ECONOMIC EXPANSION, LIBERALIZATION

REF: A. MUSCAT 990
[B](#). MUSCAT 896
[C](#). MUSCAT 881

[1](#)1. (U) Contains business proprietary information - please protect.

Summary

[1](#)2. (SBU) The Ambassador called upon the Transport and Communications Minister to review recent developments in the sectors and to advocate for Gulf Air's purchase of Boeing aircraft (ref A). The Minister expressed full support for further telecom liberalization and Oman's two-airline strategy. Railway plans are under review, and the Minister expressed his desire to see greater U.S. company participation on project tenders. End Summary.

Commitment to Telecom Liberalization

[1](#)3. (U) On June 18, the Ambassador paid an introductory call to Transportation and Communications Minister Sheikh Mohammed bin Abdullah al-Harthi to review recent developments in the Minister's portfolio. Al-Harthi reiterated the government's commitment to liberalize the telecom sector. He remarked that the private sector would best meet the growing telecom needs of the Sultanate in a quickly changing technology market, evidenced by the success of the second mobile license issued in 2004. He predicted that Oman would liberalize its value-added services sector within the next few months, and noted that a consultant is evaluating a tender proposal for a second fixed-line operating license.

Airlines Good for Oman

[1](#)4. (SBU) Taking a big picture perspective on the impact airlines have on the economy, al-Harthi endorsed Oman's two-carrier strategy. He explained that regional carrier Oman Air was essential in providing both domestic and regional service. He was pleased that Oman Air turned a profit and paid out dividends last year, but he took a cautious view toward its future performance, noting "let's see what happens."

[1](#)5. (SBU) Al-Harthi also expressed continued support for Gulf Air. Though the airline has been a financial "drain" over the years, al-Harthi said that the government looks at the bigger economic benefits that the carrier brings to Oman. He cited air links to Europe and Asia, employment opportunities, and purchasing of goods and services as benefits that Gulf Air brings to Oman. For this reason, al-Harthi commented that the government committed itself to bankrolling Gulf Air for the next three years by recently approving its business plan.

[1](#)6. (SBU) Al-Harthi further considered the growth of "national identity" airlines, such as Emirates, Etihad, and Qatar Airways, as indicators that the promotional value of an airline may sometimes outweigh operating performance. He doubted that Dubai could have grown as much as it already had without the assistance of Emirates Airlines. In the same light, al-Harthi is hopeful that Gulf Air, now down to two partner nations, would be able to do the same for Oman and Bahrain. Going forward, al-Harthi hopes that Gulf Air will replicate Emirates' expansion beyond air services into hotels, duty-free retail, catering, and car rentals.

Working on the Railroad

[1](#)7. (U) In discussion of the extensive developments in the port and road networks, al-Harthi raised the government's

interest in the GCC railway project. He views the proposed rail network as an opportunity to connect Oman's ports with its upper Gulf neighbors, providing shippers the opportunity to move goods through the Gulf without incurring the added costs of passing through the Strait of Hormuz. He said that the GCC has contracted with a consultant to determine the feasibility of rail networks in GCC countries and Yemen, projecting that it would have to have dual use (passenger/cargo) capabilities in order to be viable.

U.S. Consultants Wanted

18. (SBU) Al-Harthi wants to see more American consultancy and contracting firms participating in Omani tenders. Critical of the quality of work currently being done, al-Harthi noted that Oman needed the international expertise that large-scale projects such as the Muscat Seeb airport expansion demanded. He pointed out that because tenders come quickly, with some requesting proposals in a 4-6 week time frame, American companies would have to be patient and willing to build up a presence in Oman. He highlighted Parsons International as a U.S.-based company that has been able to gradually elevate its stature to the point where it is now a significant player.
GRAPPO